



STATE OF CALIFORNIA

Business, Transportation And Housing Agency

GRANT PROGRAM MANUAL

Volume II – Program Management & Reporting

**California Office of Traffic Safety
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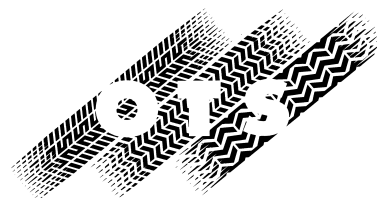


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Chapter 1

Project Agreement Preparation

1.1 FORM OF AGREEMENT

1.1.1 A Traffic Safety Project Agreement consist of the following documents:

- (a) Traffic Safety Project Agreement Page 1, (OTS-38)
- (b) Page 2, (OTS-38a) prepared by OTS
- (c) Project Description (Schedule A), (OTS-38b)
- (d) Administrative Support Statement and Agency Contribution (Schedule A-1), (OTS-38c)
- (e) Detailed Budget Estimate (Schedule B), (OTS-38d and OTS-38e)
- (f) Budget Narrative (Schedule B-1), (OTS-38f)
- (g) Quarterly Evaluation Data Form (Schedule C), (OTS-38g), required on most projects
- (h) Acceptance of Conditions and Certifications, (OTS-33)
- (i) Drug-Free Workplace Certification, (STD. 21)

1.1.2 The instructions for completing each part of the agreement are detailed in the following sections of this chapter. For further clarification, please refer to the sample project agreement (EXHIBIT 1-A) or contact your OTS Program Coordinator.

The importance of prior planning and a detailed project description cannot be overemphasized. The Office of Traffic Safety (OTS) personnel are available to help at any stage in the preparation of your project agreement.

1.1.3 Four (4) sets of the project agreement, complete in all details are required. Two sets must have original signatures on the Page 1 (OTS-38) and the certifications (OTS-33 and STD. 21). Also, be sure to submit a copy of your draft and final project agreement on a computer disk.

1.2 PROJECT AGREEMENT (PAGES 1 AND 2) OTS-38 AND OTS-38A

These pages of the Project Agreement summarize the terms of this contract between the applicant agency and OTS.

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Project Agreement Preparation

- (a) Page 1 provides space for the applicant agency to enter its portion of the project agreement data and the necessary signatures.
 - (b) Page 2 is completed by OTS after the final project agreement has been submitted by the applicant agency. It provides space for pertinent budget funding data, and OTS approval signatures.
- 1.2.1 Information to be furnished by the applicant agency on Page 1 (OTS-38), is detailed below by item number and title:
- Item 1, Project Title*** - Insert a brief project title, preferably not more than four words, and ending with the words “project” or “program”.
- Item 2, Name of Applicant Agency*** - Insert the name of the governmental agency (city, county, school district, etc.) with whom this agreement will be executed.
- Item 3, Agency Unit to Handle Project*** - Indicate the unit within the agency that will be responsible for the project.
- Item 4, Project Period*** - Indicate the proposed beginning and ending dates. The project period should include gear-up time, and cover the anticipated time to complete the project activities.
- Item 5, Project Description*** – Briefly summarize the proposed project plan, including project goals and objectives, methods of procedure, evaluation and end product. Extra space should not be required.
- Item 6, Federal Funds Allocated*** - Indicate total federal funds budgeted for project period. (The amount shown here will be equal to the total funds budgeted in Schedule B for the entire project period.)
- Item 7, Approval Signatures*** - The project agreement pages, Schedules A, A-1, B, and B-1, describe the terms and obligations to which the agency agrees when accepting an award under this program. Only those individuals whose names appear on Page 1 are authorized to sign this document.
- (a) Project Director - Type name, telephone number, office address, e-mail address, and title of the person designated to be responsible for the day-to-day operations of the project and for compliance with project requirements. The project director must sign two (2) sets of the project agreement.

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- (b) Authorizing Official of the Applicant Agency - Type name, telephone number, office address, e-mail address, and official's title. Two (2) sets must have original signatures of the official authorized to commit the agency to the terms and conditions of the agreement.
- (c) Fiscal or Accounting Official - Type name, telephone number, office address, e-mail address, and official title of the agency employee responsible for the fiscal/accounting records of the project. Two (2) sets must have original signatures.
- (d) Office Authorized to Receive Payments - Type the name and address of the agency office to which reimbursement payments are to be mailed.

1.3 PROJECT DESCRIPTION (SCHEDULE A) OTS-38B

- 1.3.1 This section includes all the information related to the project, with the exception of the budget. The sample project agreement (EXHIBIT 1-A) contains examples of the types of information desired for a Police Traffic Services (PTS) project. Projects in all other program areas (ex. alcohol, occupant protection, pedestrian, etc.) should contain similar information on the Schedule A.
- 1.3.2 Background - Items to be included under this heading are detailed below:
 - (a) General Characteristics - a description of the applicant agency including, but not limited to, information on population, area, population patterns, topography and climate.
 - (b) Streets and Highways - A general description of all roadway mileage within the agency's jurisdiction including total mileage.
 - (c) Operating Departments - Include a detailed description of the organization and functions of each operating department involved in or affected by the project.
 - (d) Existing Systems - Describe the present system or operational methods related to the proposed project activity.
- 1.3.3 Problem Statement - The problem statement is one of the most important parts of your project agreement and should be written carefully and concisely. Points or questions to be addressed in the problem statement are:

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- (a) What is the traffic safety related problem or deficiency and how was it identified. Compare your collision and/or safety equipment usage rates with statewide averages. If applicable, include your “DUI Arrest and/or Collision Rankings” developed by OTS.

Provide pertinent statistical data that help identify the problem(s). The following are examples of data categories that you may include, but are not limited to, in your application:

- ◆ Fatal and Injury Collisions
- ◆ Alcohol Involved Fatal and Injury Collision
- ◆ Had-Been Drinking (HBD) Fatal and Injury Collisions Under Age 21
- ◆ HBD Fatal and Injury Collisions Between the Ages of 21 and 34
- ◆ Pedestrian Fatalities and Injuries
- ◆ Pedestrian Fatalities and Injuries Under Age 15
- ◆ Pedestrian Fatalities and Injuries Age 65 and Over
- ◆ Bicycle Fatalities and Injuries
- ◆ Bicycle Fatalities and Injuries Under Age 15
- ◆ Speed Related Fatal and Injury Collisions
- ◆ Nighttime Fatal and Injury Collisions (9 p.m. - 3 a.m.)
- ◆ Hit-and-Run Fatal and Injury Collisions
- ◆ Seat Belt Compliance Rate
- ◆ Child Safety Seat Compliance Rate
- ◆ Child Safety Seat Misuse Rate
- ◆ Bicycle Helmet Usage Rate Under Age 15
- ◆ Emergency Response Times to Collision Site
- ◆ Emergency Response Time From the Time of the Collision to Hospital Treatment
- ◆ Population Trends
- ◆ Roadway Mileage Changes
- ◆ Current Level of Traffic Safety Education in Local Schools

- (b) What factors contribute to the identified problem? Answer Who, What, Where, and When. A review of collision reports will be necessary.
- (c) Include a justification for the equipment listed in the “Detailed Budget Estimate” Schedule B.
- (d) Present the problem(s) so that there is a logical connection to the project goals and objectives and the proposed solution.

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- 1.3.4 Attempts to Solve the Problem - Describe past efforts to resolve the problem. Include reasons why the efforts have been unsuccessful and explain how current activity (or lack of activity) prevents the attainment of an optimum traffic safety program. Include description and status of prior OTS projects related to the defined problem.

1.3.5 Performance Measures

OTS has developed program area “Blueprints” to present a recommended problem identification process and sample goals and objectives. Contact your OTS Program Coordinator for copies. Blueprints must be reviewed prior to submitting a project agreement.

Project Goal(s) - Goals serve as the foundation upon which the project is built. Goals are what you hope to accomplish by implementing a traffic safety grant. Examples are: “To increase seat belt compliance by 10 percentage points from the calendar 1998 base year survey rate of 73% to 83% by December 31, 2000,” or “To reduce fatal and injury alcohol involved collisions by 20% from the calendar 1998 base year total of 120 to 96 by December 31, 2000.”

Project Objectives - Objectives are tasks or activities undertaken during the project period to make the goal(s) a reality. Objectives are designed to move you closer to achieving the overall goal(s). Examples are: “To conduct 12 DUI/Drivers License checkpoints by December 31, 2000,” or “To conduct 8 bicycle rodeos by December 31, 2000.”

Below are guidelines for writing good goals and objectives:

- (a) Start with the word “to”, followed by an action verb.
 - (b) Be concise and deal with a specific activity to be accomplished.
 - (c) State in measurable terms.
 - (d) Be realistic and attainable, but still present a challenge.
 - (e) Include a target date or statement of duration for accomplishment.
- 1.3.6 Method of Procedure - Identify the work (tasks) to be done in order to accomplish the stated objectives. The work must be divided into its major phases and listed in the order in which each phase will be initiated. Identify the beginning and ending dates of each phase, and describe, step by step, the work to be done within each phase, as well as any interim reports or other measurable products which may be produced. This section should cover the entire project period.

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1.3.7 Method of Evaluation - Essentially, the purpose of the evaluation is to measure the degree of success that is achieved as a result of the activities that are funded. Include this statement as the Method of Evaluation: "Using the data compiled, the project manager will evaluate: (1) how well the stated project goal(s) and objectives were accomplished; (2) if all the activities outlined in the Method of Procedures were performed in accordance with the project agreement; and (3) was the project cost effective?"

13.8 Statement of Intent - Indicate the agency's intent to incorporate and continue any program developed by the project. This statement must be based on an actual consideration of continuing program costs.

1.4 ADMINISTRATIVE SUPPORT STATEMENT/AGENCY CONTRIBUTION (SCHEDULE A-1) OTS-38C

1.4.1 Administrative Support Statement - Describe the level of support and emphasis the project will receive. The statement should document administration (city council, board of supervisors, county executive, city manager, etc.) support. Copies of resolutions or other official support declarations should be forwarded to OTS for the project file.

1.4.2 Agency Contribution – Itemize, by federal fiscal year, estimated costs of all agency contributions (personnel resources, funds, equipment and/or services) directly related to the project. Note: hard match contributions (50% of second year costs, 75% of ambulance purchase, etc.) are subject to audit.

1.5 DETAILED BUDGET ESTIMATE (SCHEDULE B, PAGES 1 & 2) OTS-38D & 38E

1.5.1 The budget should cover the entire period of the project. In some projects, this may also include a three month start-up period. Space is provided on the form to estimate costs up to a maximum three year period. The program operates on the federal fiscal year which begins October 1 and ends September 30. *Appropriate dates shall be typed at the top of each fiscal year column on both pages of the Schedule B.*

1.5.2 Costs are divided into six categories. Costs allowable for each category are detailed in Chapter 2. Lists costs in only those categories that pertain to your project.

1.5.3 Cost categories and suggestions for applicable costs are:

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- (a) Personnel Costs - Enter titles of positions to be utilized; the monthly salary and percentage applicable to the project. Reasonable cost of living increases or merit increases should be estimated and included. Extend computations to fiscal year columns. Subtotal the salaries and add the amounts required to cover related employee benefits.
 - (b) Travel Expense - Enter estimated cost of travel related to the project. Cost items include transportation and per diem and must be segregated into “in-state” and “out-of-state” travel.
 - (c) Contractual Services - Enter estimated cost of work which will be performed by each consultant firm, or person secured on contract from another agency to work on the project. Do not list firm, agency, or individual’s names. Use descriptive titles such as, “CPS Training”, “Data Consulting”, “Evaluation Services”, “Program Manager”, “Secretary”, etc.
 - (d) Nonexpendable Property - Enter the estimated cost of each item of nonexpendable property to be purchased. Only include items that cost \$5,000.00 or more each (includes taxes, shipping, etc.).
 - (e) Other Direct Costs - These costs include all other direct expenditures. They include, but are not limited to, office supplies, printing, radar units, computers, child safety seats, bicycle helmets, and educational materials.
 - (f) Indirect Costs - Costs which, by their nature, cannot be charged directly to a project. Indirect costs are an allowable cost for projects but are not encouraged. An agency must have a federally approved cost allocation plan and/or an OTS approved indirect cost rate proposal to be reimbursed for indirect costs. In addition, documentation must be available to support the rate and any periodic adjustment (Chapter 2). All indirect cost allocation plans or indirect cost proposals must be submitted to OTS with the draft Project Agreement.
- 1.5.4 After all costs have been itemized, total each horizontally in the “Total Cost to Project” column. Put in the Category Sub-Totals and the Project Totals for each fiscal year. Also, total these horizontally in the “Total Costs to Project” column.

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1.6 BUDGET NARRATIVE (SCHEDULE B-1) OTS-38F

- 1.6.1 This schedule is a narrative explanation and justification of individual expenditures outlined in the Detailed Budget Estimate (Schedule B). The Budget Narrative should be complete, covering all cost categories and individual line-items reflected in Schedule B.
- (a) Personnel Costs - Explain all personnel salaries that are identified in the Schedule B. Itemize employee benefits and rates. Refer to EXHIBIT 1-A for format. Note: if benefits or rates differ between personnel, each must be itemized and totaled separately.
 - (b) Travel Expenses - Identify proposed major “traffic safety related” trips to be funded under this project. Explain the guidelines/policies used to develop travel costs. If your agency has no guidelines or policies, you must use the State Board of Control guidelines. (Contact your OTS Program Coordinator for the most recent copy.)
 - (c) Contractual Services - Provide a brief description of the work each consultant firm, agency, or person will provide. Use the descriptive name(s) used on Schedule B. If other than personnel costs are involved, include an itemized budget reflecting cost for each federal fiscal year.
 - (d) Nonexpendable Property - Provide a brief description of each item identified in the Schedule B and its intended use. Do not list equipment brand names.
 - (e) Other Direct Costs - Provide a brief description of each item identified in the Schedule B and its intended purpose.
 - (f) Indirect Costs - Indicate the rate used and how its applied in this project (Section 1.5.3 (f) and Chapter 2). Include the name of the federal agency approving the cost allocation plan and/or indirect cost rate proposal.
- 1.6.2 Program Income - Such earnings may include, but are not limited to, income from service fees, sale of commodities, usage or rental fees, royalties or patents, copyrights, and vehicle impounding.

Proceeds from the sale of personal property, either provided by the federal government or purchased in whole or in part with Traffic Safety Funds, shall be handled in accordance with Chapter 4 of this manual.

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1.6.3 A program income statement must be included in Schedule B-1. An appropriate statement should be selected from the following list:

- (a) There will be no program income generated as a result of this project.
- (b) Program income generated as a result of this project will be utilized by the (department) to either further the objectives of the project, or reduce current project costs. The estimate for program income is \$_____.
- (c) In order to create a self-sustaining program to continue after the grant ends, a special fund for “Administrative Tow Fees” will be established for the purpose of receiving and expending fees collected for the impoundment of a vehicle. The appropriation of all monies in the “special fund” shall be used for the purpose of the “vehicle impound program”.

The balance remaining in the “special fund” at the close of the any fiscal year shall be carried forward. Fees generated from vehicle impoundments are considered program income and are subject to an OTS audit. Quarterly Performance Reports will include the current and year-to-date “special fund” balance.

- (d) Program income generated as a result of this project will revert to the (name of agency, or city, or county) General Fund and is not available to the (department's name).

The provisions above are not intended to apply to revenues which are raised under the “Governing” powers of the state and local governments. These charges are generally not directly related to actual costs. Examples of the excluded revenues are license fees for the purpose of regulation, property taxes, amusement taxes, and sales taxes imposed under taxation power.

Project activities which generate revenues as a result of NHTSA-OTS funding must be reported to OTS. The applicant agency must remit written notification of the source and amount of such income at the earliest opportunity to the OTS Program Coordinator and the OTS fiscal unit. Additionally, the agency must maintain a separate account for the related expenditure or disposition of the program income, documenting the expansion of services or reduction of project costs. Such records shall be held for a period of three years after the final reimbursement and close of the project.

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1.7 QUARTERLY EVALUATION DATA FORM (SCHEDULE C) OTS-38G

- 1.7.1 Schedule C is required for projects in Police Traffic Services, Alcohol and Other Drugs, Occupant Protection, Pedestrian and Bicycle Safety, and Emergency Medical Services. The Schedule C provides a statistical data base on which to evaluate need and potential effectiveness of projects. This data is to be updated quarterly (Chapter 7). Contract your OTS Program Coordinator for this form.

1.8 CERTIFICATIONS

The person signing Page 1 of the project agreement as “Authorizing Official” must sign all certifications.

- 1.8.1 Acceptance of Conditions and Certifications (OTS-33) - This form provides certification of compliance with the provisions of the agreed upon project and applicable federal and state regulations as detailed.

- I. Terms and Conditions
- II. Equal Opportunity Assurance (Chapter 1, Title 23, U.S.C.)
- III. Minority and Women Business Enterprise (49 CFR Part 23)
- IV. Section 504, Rehabilitation Act of 1973
- V. Hatch Act [5.U.S.C. 118K(a)]
- VI. Non-duplication of Grant Fund Expenditure
- VII. Lobbying Restrictions
- VIII. Recycling

- 1.8.2 Drug-Free Workplace Certification (STD. 21)

This state form provides certification of compliance with the requirements of Government Code Section 8355.

Chapter 2

Allowable Costs

2.1 GENERAL

2.1.1 This chapter sets forth basic principals for determining allowable costs under the Highway Traffic Safety Program. These principles are not intended to identify the circumstances or dictate the extent of funding under a particular grant.

2.1.2 The application of these principles is based on the fundamental premise that:

(a) In order to be “allowable”, costs must be compatible with the applicable federal requirements.

- ◆ OMB Circular A-87; Cost Principles for State and Local Governments.
- ◆ Highway Safety Grant Funding Policy for NHTSA Field Administered Grants.
- ◆ OMB Circular A-21; Cost Principles for Educational Institutions.
- ◆ OMB Circular A-122; Cost Principles for Non-Profit Organizations.
- ◆ OMB Circular A-133; Cost Principles for Non-Profit Organizations.

(b) Applicant agencies are responsible for efficient and effective administration of the project through the application of sound management practices.

(c) Costs are consistent with underlying agreements and project objectives.

2.1.3 Only those budgeted costs outlined in the project agreement and supported by proper source documentation are eligible for reimbursement.

2.1.4 Grant funds are not advanced to an applicant agency. They are provided on a reimbursement basis after the expense has been incurred and upon submission of properly certified claims (Chapter 5).

2.1.5 Costs incurred under one project shall not be shifted to another project.

2.2 DEFINITIONS

2.2.1 Applicable Credits

Refers to those receipts or reduction of expenditure type transactions which offset or reduce expense items allocable to grants as direct or indirect costs. Examples are: purchase discounts; rebates or allowances; recoveries or indemnities on losses; sale of publications,

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equipment or scrap; income from personnel or incidental services; and adjustments of overpayments or erroneous charges. The term “applicable credits” excludes state and local revenues derived from license fees, excise taxes, fines, etc., where these revenues are not available to the applicant agency, but are controlled by the taxing entity for deposit to the state or local general fund.

2.2.2 Cost

The amount of money or value exchanged for property or services as determined on a cash, accrual or other recognized accounting system.

2.2.3 Cost Allocation Plan

The documentation, including the allocation methods used, identifying, accumulating, and distributing allowable indirect costs under grants and contracts.

2.2.4 Direct Costs

Those expenses which can be charged directly as a part of the cost of a product or service, or of a government unit or operating unit. These are distinguished from overhead and other indirect costs which must be prorated among several products or services, or governmental units or operating units.

2.2.5 Indirect Costs

Those expenses which by their nature, cannot be readily allocated to a specific activity or product but, like support services or overhead, are prorated to a project.

2.2.6 Support Services

Auxiliary functions necessary to sustain the direct effort involved in administering a grant. These services may be centralized in the applicant agency or in some other agency and include procurement, payroll, personnel, maintenance and operation of space, data processing, accounting, budgeting, auditing, mail, messenger service and similar activities.

2.3 ELIGIBILITY REQUIREMENTS

2.3.1 To be eligible for reimbursement under the Highway Traffic Safety Program, costs must meet the following criteria:

- (a) Be necessary and reasonable for proper and efficient administration of the project.

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- (b) Not be a general expense necessary to the responsibilities of state or local governments.
- (c) Be permissible under state and local laws and regulations and conform to any limitations or exclusions set forth in these principles, federal laws or regulations, or other governing limitations.
- (d) Not be allocable to, or included as a cost of, any other state or federally financed program.
- (e) Be reduced by any "applicable credits", such as purchase discounts, rebates, allowances, overpayments, or erroneous charges.
- (f) Not result in a profit or other increment to the applicant agency.
- (g) Be incurred on or after the effective date of the project and on or before the project termination date.

2.4 COMPOSITION OF COSTS

2.4.1 Total Cost

The total cost of a project is comprised of the allocable direct costs incident to its performance, plus the allocable portion of indirect costs, less all applicable credits.

2.4.2 Classification of Costs

There is no universal rule for classifying specific cost items as either direct or indirect. Under different accounting systems, a cost may be direct with respect to a specific service or function, but indirect with respect to the grant. It is, however, essential that each item of cost be treated consistently, either as a direct or indirect cost. Generally accepted accounting practices will govern in the absence of explicit written references.

2.5 DIRECT COSTS

All direct costs are categorized in the grant agreement as either personnel costs, travel expenses, contractual services, nonexpendable property, or other direct costs. Typical direct costs reimbursable under highway traffic safety projects and costs generally not allowable per "Standards for Selected Items of Cost" (OMB Circular A-87), are enumerated and discussed in Sections 2.7 through 2.9.

2.5.1 Personnel Costs

Compensation for salaries and fringe benefits of applicant agency employees hired expressly

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for the project and for the time and effort devoted to its execution.

2.5.2 Travel Expenses

Costs for travel, including transportation, per diem, and lodging, incurred by personnel identified in the grant agreement.

2.5.3 Contractual Services

Professional services and associated costs for the project furnished under approved agreement by other agencies, individuals, or independent firms.

2.5.4 Nonexpendable Property/Equipment

Cost of all property/equipment, costing \$5,000 per item, specifically required and budgeted to carry out the purpose of the grant agreement.

2.5.5 Other Direct Costs

Cost of materials, supplies, some equipment, and other direct items of expense acquired or consumed for purposes of the project.

2.6 INDIRECT COSTS

The Office of Traffic Safety (OTS), in accordance with permissible limits of federal funding guidelines (OMB Circular A-87), hereby adopts the following indirect cost reimbursement policy for its grant agreements and primary consultant contracts.

(a) Grant agreements which shall not be eligible for reimbursable indirect costs include:

- ◆ Agreements to subsidize the acquisition of equipment or fixed assets (generally grants for ambulance, helicopter, checkpoints trailers, etc.).
- ◆ Agreements in which the total award is less than \$20,000.

(b) Allowable indirect costs, as defined in the circular, shall be reimbursed at a predetermined fixed rate per one of the following criteria:

- ◆ Up to fifteen (15) percent of total direct labor costs, including fringe, if applicant agency personnel costs are included in the budget.
- ◆ Up to eight (8) percent of total costs, excluding nonexpendable property and

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indirect costs, if applicant agency personnel costs are not included in the budget.

- ◆ Administrative oversight charges in which the applicant agency subcontracts the project activities or services to a second external entity, shall be limited to three (3) percent of the subcontract amount, excluding nonexpendable property.

Note: Depending on the nature of the project and/or budgeted costs, there may be exceptions to the three criteria mentioned above. Indirect cost can be negotiated for these exceptions. Also, some project revisions may result in re-negotiations of indirect costs. In some cases, this may result in a lesser amount approved than originally negotiated.

2.6.1 Cost Allocation Plan

A plan for allocation of costs will be required to support the distribution of any indirect costs related to the grant. All costs included in the plan must be supported by formal accounting records which will substantiate the propriety of charges. The allocation plan should cover all joint costs of the department, as well as costs to be allocated under plans of other agencies or organizational units included in the costs of the grant.

- (a) Federally (cognizant agency) approved plans of indirect cost allocation shall be accepted, but the reimbursement limit shall not exceed the limitations outlined above. Therefore, the smaller of the rates per the approved plan verses the OTS maximum will be utilized for reimbursement.
- (b) If there is no federal cognizant agency, applicant agencies shall be permitted to develop and submit plans of indirect cost allocation for review and approval by OTS for a determination of the allowable rate of reimbursement on the grant. The approved rate shall be stated in the project agreement.

Note: Non-cognizant agency approved plans of indirect cost allocation shall generally be based on the percentage of funding principle, i.e., the percentage of OTS grant funds as a proportion of total grants shall constitute allowable/reimbursable indirect costs.

- (c) Overhead or indirect costs are to be reimbursed as provisional or conditional rates which may be subject to audit verification or will require adjustment of the rate to the lesser of the cognizant agency approved rate or the maximum allowable OTS rate.

The federal Office of Management and Budget (OMB) assigns a cognizant federal agency to every county and various cities in California. Additional assigned oversight agencies (in those instances where a cognizant assignment is not done) also work to

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Allowable Costs

ensure audits are made and the audit and resulting reports are adequate. Both entities coordinate, to the extent practical, additional audits of federal programs and resolve audit findings which affect the programs of more than one federal agency. Subrecipients, or local governments which receive more than \$25,000 in federal financial assistance from the state, must also submit copies of their single audit to the State Controller's Office. (Section II of OMB Circular A-128 details a cognizant agency's responsibility.)

Cognizant federal agencies (or their assignee) may review and approve indirect cost allocation plans which may be applicable to all federal funding received by the entity. An indirect cost rate verification or audit examination may be conducted at interim periods or up to three (3) years subsequent to closure of the grant award. (OMB Circular A-87, Cost Principles for State and Local Governments.)

2.6.2 Costs Incurred by Other than the Applicant Agency

The cost of service provided under contractual services may only include allowable direct costs of the service, plus a pro rata share of allowable support costs, and supervision directly required in performing the service.

In lieu of determining actual indirect costs related to a particular service furnished by others, either of the following alternative methods may be used provided only one method is used for a specific service during the fiscal year involved:

- (a) Standard Indirect Rate - An amount equal to ten (10) percent of direct labor costs in providing the service performed under contract (excluding overtime, shift, or holiday premiums and fringe benefits) may be allowed in lieu of actual allowable indirect costs for that service.
- (b) Predetermined Fixed Rate - A predetermined fixed rate for indirect costs of the unit or activity providing services may be negotiated.

The cost allocation plans of all the agencies rendering services to the applicant agency should be presented in a single document. The allocation plan should contain, but not necessarily be limited to, the following:

- ◆ The nature and extent of services provided, and their relevance to the grant program.
- ◆ The items of expense to be included.
- ◆ The methods to be used in distributing costs.

2.7 ALLOWABLE COSTS

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Allowable Costs

This section contains a list of typical costs that are generally eligible for reimbursement under the Highway Traffic Safety Program. It is not meant to be all inclusive. Specific information concerning these costs may be obtained by contacting your OTS Program Coordinator.

2.7.1 Accounting

The cost of establishing and maintaining accounting systems required for the management of a grant is allowable. The cost of maintaining central accounting records required for overall state or local government purposes, such as appropriation and fund accounts by the treasurer, controller, or similar officials is considered to be a general expense of government, and is not allowable.

2.7.2 Advertising

Advertising costs are allowable for recruitment of personnel required for the grant; solicitation of bids for the procurement of goods and services required; disposal of scrap or surplus materials acquired in the performance of the grant; or for other purposes specifically provided for in the grant agreement. Program advertising costs for airtime is allowable, but cost for advertising space is not allowable. Contact your OTS Program Coordinator for specific guidelines.

2.7.3 Budgeting

Costs incurred for the development, preparation, presentation, and execution of budgets are allowable. Costs for services of a central budget office are generally not allowable since these are a general government cost.

2.7.4 Central Stores

The cost of maintaining and operating a central stores organization for supplies, equipment, and materials used either directly or indirectly for grant programs is allowable.

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Allowable Costs

2.7.5 Communications

Communication costs incurred for telephone calls or service telegraph, teletype service, FAX exchanges, centrex, postage, and similar expenses are allowable. Costs for overnight or courier mail service is not allowable.

2.7.6 Depreciation and Use Allowance

Applicant agencies may be compensated for the use of their buildings, capital improvements, and equipment through use allowances or depreciation as outlined in Chapter 4.

2.7.7 Employee Fringe Benefits

Employee benefits in the form of regular compensation paid to employees during periods of authorized absences from the job such as annual leave, sick leave, court leave, military leave, and similar absences are allowable provided they are pursuant to an approved leave system, and the cost is equitably allocated to all related activities, including grant programs.

Employee benefits in the form of employer's contributions to social security, employees' life and health insurance plans, unemployment insurance coverage, workmen's compensation insurance, pension plans, severance pay and the like, are also allowable provided such benefits are granted under approved plans, and are distributed equitably to the grant and to all other activities.

Note: Costs for authorized absences are only reimbursable up to the amount earned during the term of the project.

2.7.8 Employee Salaries

The cost of services rendered during the period of performance under the grant agreement including, but not necessarily limited to, wages, salaries, and supplementary compensation and benefits are allowable provided the cost for individual employees is: a) reasonable for the services rendered, and b) follows an appointment made in accordance with state or local laws and rules and meets federal requirements.

Note: Individual salaries that result in a savings (salary savings) to the applicant agency are not allowable.

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Allowable Costs

2.7.9 Equipment and Fabricated Parts

Costs of certain types of equipment may be allowable if sufficient funds are available. Check with your OTS Program Coordinator if you have a question. If existing equipment is traded in, only the net cost of the newly acquired equipment is allowable.

2.7.10 Exhibits

The costs of exhibits relating specifically to the grant program are allowable.

2.7.11 Legal Expenses

The cost of legal expenses required in administration of grant programs is allowable. Legal services furnished by the applicant agency for the purpose of discharging general responsibilities of government are not allowable. Legal expenses for the prosecution of claims against the state and federal government are not allowable.

2.7.12 Maintenance and Repair

Costs incurred for necessary maintenance repair or upkeep of property which neither adds to the permanent value of the property nor appreciably prolongs its intended life, but keeps it in an efficient operating condition, are allowable.

2.7.13 Materials and Supplies

The cost of materials and supplies necessary to carry out the grant program is allowable. Purchases made specifically for the grant should be shown at actual price after deducting all cash discounts, trade discounts, rebates, and allowances. Withdrawals from general stores or stockrooms should be charged at cost under any recognized method of pricing consistently applied.

2.7.14 Memberships

The cost of membership in civic, business, technical and professional organizations is allowable provided: 1) the benefit from the membership is related to the grant program; 2) the expenditure is for agency membership; 3) the cost of the membership is reasonably related to the value of the services or benefits received; and 4) the expenditure is not for membership in an organization which devotes a substantial part of its activities to influencing legislation.

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Allowable Costs

2.7.15 Reference Materials

The cost of books and subscriptions to civic, business, professional, and technical periodicals is allowable when related to the grant program.

2.7.16 Meetings and Conferences

Costs are allowable when the primary purpose of the meeting is the dissemination of technical information relating to the grant program, and they are consistent with regular practices followed for other activities of the applicant agency. Costs for entertainment are not allowable.

2.7.17 Motor Pools

The cost of the service organization which provides automobiles to applicant agencies at a mileage or fixed rate, and provides vehicle maintenance inspection and repair services, is allowable.

2.7.18 Payroll Preparation

The cost of preparing payrolls and maintaining necessary related wage records is allowable.

2.7.19 Personnel Administration

Costs for the recruitment, examination, certification, classification, training, establishment of pay standards and related activities for grant programs are allowable.

2.7.20 Printing and Reproduction

Costs of necessary printing and reproduction services including forms, reports, manuals, and similar informational literature are allowable.

2.7.21 Program Income

Program income is gross income earned by the applicant agency from project supported activities. Such earnings may include, but are not limited to, income from service fees, sale of commodities, usage or rental fees, royalties or patents, and copyrights.

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Allowable Costs

2.7.22 Taxes

In general, taxes or payments in lieu of taxes which the grantee agency is legally required to pay are allowable.

2.7.23 Training and Education

The cost of in-service training, customarily provided for employee development which directly or indirectly benefits the grant program, is allowable. Out-of-service training is allowable only when specifically authorized by OTS.

2.7.24 Transportation

Costs incurred for freight cartage, express, postage, and other transportation costs relating to goods purchased, delivered, or moved from one location to another are allowable.

2.7.25 Travel

Travel costs are allowable for expenses for transportation, lodgings, subsistence, and the related items incurred by employees who are in travel status on official business incidental to the grant program. Such costs may be charged on an actual basis or on a per diem or mileage basis. An approved copy of standard agency rates may be requested by OTS prior to the approval and reimbursement of travel expenses. The difference in cost between first class air accommodations is not allowable, except when less than first class air accommodations are not reasonably available. Out-of-state travel costs will only be allowed if specific trips have advanced approval, in writing, from OTS.

2.8 PRE-APPROVED ALLOWABLE COSTS

In addition to the requirement for costs referenced in Section 2.1.3, the following costs are generally allowable if prior written approval has been given by OTS.

2.8.1 Automatic Data Processing

The cost of data processing services for traffic safety programs is allowable. This cost may include rental or purchase of equipment. Reimbursement toward the purchase price of computer hardware, and peripheral equipment cannot exceed the cost of a three-year lease/rental agreement for like equipment. Costs for mainframe computers are not allowable.

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Allowable Costs

2.8.2 Building Space and Related Facilities

The cost of space in privately or publicly owned buildings used for the benefit of the grant program is allowable subject to the following conditions: 1) the total cost of space, whether in a privately or publicly owned building, may not exceed the rental cost of comparable space and facilities in a privately owned building in the same locality; 2) the cost of space procured for the grant program usage may not be charged to the program for periods of non-occupancy; and 3) the cost of utilities, insurance, security, janitorial services, elevator service, upkeep of grounds and normal repairs are allowable to the extent they are not otherwise included in rental or other charges for space. The costs incurred for rearrangement and alteration of facilities are not allowable.

2.8.3 Insurance

The cost of insurance required or approved, and maintained pursuant to the traffic safety agreement, is allowable. Costs of other insurance in connection with the general conduct of activities are allowable subject to the following limitations:

- (a) Types and extent of cost of coverage will be in accordance with the general state or local government policy and sound business practice.
- (b) Costs of contributions to any reserve covering the risk of loss of, or damage to, federal government property are not allowable.

However, costs incurred because of losses not covered under nominal deductible insurance coverage provided in keeping with sound management practice, and minor losses not covered by insurance such as spoilage, breakage, and disappearance of small hand tools which occur in the ordinary course of operations, are allowable. OTS is in no way obligated to indemnify the applicant agency for any losses sustained by it directly or indirectly through liability or third persons.

2.8.4 Management Studies

The cost of management studies to improve the effectiveness and efficiency of grant management for ongoing programs is allowable.

2.8.5 Professional Services

Costs of professional services rendered by individuals or organizations not a part of the applicant agency are allowable.

2.9 UNALLOWABLE COSTS

Chapter 2

Allowable Costs

The following is a list of costs that are ineligible for reimbursement under the Highway Traffic Safety Program.

2.9.1 Bad Debts

Any losses arising from uncollectible accounts and other claims and related costs are unallowable.

2.9.2 Chief Executive Expenses

The salaries and expenses of the Office of the Governor, or of the chief executive of a political subdivision, are considered costs of general state and local government and are unallowable.

2.9.3 Contingencies

Contributions to a contingency reserve or any similar provision, excluding insurance costs, for unforeseen events are unallowable.

2.9.4 Contributions and donations are unallowable

2.9.5 Entertainment

Costs of amusements, social activities, and incidental costs relating thereto such as meals, beverages, lodging, rentals, transportation, and gratuities are unallowable.

2.9.6 Fines and Penalties

Costs resulting from violations of, or failure to comply with, federal, state, and local laws and regulations are unallowable.

2.9.7 Highway Design, Construction and Maintenance

The costs for highway design (other than the design of safety features to be incorporated into standards); construction and maintenance are unallowable.

Chapter 2

Allowable Costs

2.9.8 Interest and Other Financial Costs

Interest on borrowing, bond discount, costs of financing and refinancing operations, and legal and professional fees paid in connection therewith, are unallowable except when authorized by federal legislation and approved by OTS.

2.9.9 Legislative Expenses

Salaries and other expenses of the state legislature or similar local governmental bodies, such as county supervisors, city councils, school boards, etc., are unallowable.

2.9.10 Mainframe Computers

The costs for large-scale ("mainframe") computers are unallowable.

2.9.11 Office Construction

Costs of construction, rehabilitation, or remodeling of state, local, or private buildings or structures is unallowable. Certain structures such as radio and driving range towers, equipment sheds, fences, etc., for which funding is justified and approved in the grant agreement, are eligible for reimbursement.

2.9.12 Office Furnishing and Fixtures

The following items are considered office furnishings and fixtures and are not eligible for reimbursement:

- | | |
|--------------------------|---|
| ◆ Desks | ◆ Coat Racks |
| ◆ Chairs | ◆ Portable Partitions |
| ◆ Tables | ◆ Pictures, Wall Clocks |
| ◆ Credenzas | ◆ Fixed Lighting/Lamps |
| ◆ Bookcases | ◆ Draperies and Hardware |
| ◆ Filing Cabinets | ◆ Floor Coverings |
| ◆ Storage Cabinets/Racks | ◆ Office planters, Other Decorative Items |
| ◆ Shelving | ◆ TV Stand |

Items such as typewriters, dictation equipment, calculators, tape recorders, audiovisual equipment, and copying/reproduction equipment are considered office equipment but their costs are allowable. Contact your OTS Program Coordinator if you have a question.

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Allowable Costs

2.9.13 Program Advertising

The costs of billboard space and newspaper/magazine advertisement for program related messages and activities are unallowable. Radio/TV air time is allowable. Contact your OTS Program Coordinator for specific guidelines.

2.9.14 Under-Recovery of Costs Under Grant Agreements

Any excess of costs over the federal contribution under one grant agreement is unallowable under other grant agreements.

2.9.15 Use Allowance for Funded Items

Allowance for use or depreciation of equipment, materials, or other items purchased with grant funds is unallowable.

Chapter 3

Implementation & Control of Approved Projects

3.1 NOTICE OF APPROVAL

- 3.1.1 The applicant agency will be notified by the Office of Traffic Safety (OTS) when the project has been approved and OTS will give authorization to proceed with the project according to the conditions and design stated in the project application. A copy of the approved project agreement and required forms for grant monitoring will be included with the notification.

3.2 EFFECTIVE DATE

- 3.2.1 The approved agreement will show an effective date on Page 2 (OTS-38a). Claims for reimbursement may be made only for costs incurred on or subsequent to that date. No reimbursement will be provided for expenses incurred prior to the effective date or after the project period ending date.

3.3 PRE-OPERATIONAL MEETING

Within the first 75 grant period days, a detailed meeting will be scheduled to review the Quarterly Performance Report (QPR) format, grant requirements and conditions, and the reimbursement claim process. The actual grantee personnel responsible for preparing the QPR=s and reimbursement claims must attend the meeting.

3.4 APPLICANT AGENCY CONTROL

- 3.4.1 The project director should be one of the applicant agency personnel assigned to the project, i.e., traffic engineer, chief of police, etc. The project director must be available for periodic operational reviews with OTS representatives.
- 3.4.2 The fiscal or accounting official named in the project agreement is responsible for preparing reimbursement claims, establishing accounts, and maintaining accounting records which will reflect actual project costs. Claims for reimbursement of project costs must be prepared under the accounting officer's supervision. Such claims are limited to those costs shown on the agency's official accounting records and detailed in the project agreement.

3.5 PROJECT DIRECTOR RESPONSIBILITY

- 3.5.1 The project director is responsible for establishing operating procedures and controls which will ensure adequate administration of the project in accordance with the terms of the agreement. Emphasis should be given to:

(a) maintaining work schedules set up in the agreement;

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Implementation & Control of Approved Projects

- (b) maintaining costs within the approved amounts for each category;
- (c) maintaining adequate records for validation of project progress and accountability for all funds expended on the project (Chapter 4);
- (d) submitting required project reports (Chapter 7); and
- (e) conducting a project evaluation.

3.6 OTS RESPONSIBILITY

- 3.6.1 OTS has the responsibility and authority to review and evaluate each project. Such review and evaluation will be made for the purpose of assisting the applicant agency to understand and comply with the required procedures and to gain maximum benefits from the funds expended. Agencies should promptly notify their OTS Program Coordinator concerning any changes or problems that arise (Section 3.7).

3.7 PROJECT AGENCY RESPONSIBILITIES

- 3.7.1 Meetings are encouraged between agencies having similar projects in operation, for the purpose of coordinating related activities. OTS will be glad to assist in the coordination of such meetings and to provide any information required.
- 3.7.2 State agencies conducting projects under the National Highway Safety Act must comply with the provisions of Section 0911 of the State Administrative Manual.
- 3.7.3 If a state department is approved for a project that has not been approved in the state budget, the applicant agency must comply with Section 6236.5 of the State Administration Manual (Section 28, Reporting).

3.8 PROJECT REVISIONS AND CONTINUATIONS

- 3.8.1 Project revisions include any project agreement change(s) that are necessary to enhance the operational efficiency of the project. OTS recognizes that budgets are only estimates of actual costs.
- 3.8.2 Grantees are permitted to rebudget within individual categories of the Detailed Budget Estimate (OTS-38d and OTS-38e) to meet unanticipated requirements. Grantees may redistribute monies within a category between line items as long as the category total is not exceeded by more than 10% and the transfer of monies is for a line item already mentioned in the Budget Estimate. At no time can the total amount budgeted be exceeded. All other revisions require PRIOR OTS approval.

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Implementation & Control of Approved Projects

3.8.3 The following deviations from the approved budget require PRIOR OTS approval.

- # A specific cost item not included in the budget;
- # An increase in the number of a specific item over and above the total authorized;
- # A budgeted cost category increase in excess of 10%;
- # A "no cost" time extension;
- # Changes to goals, objectives, or the Amethod of procedure≡; and
- # Project Director, Authorizing Official, or Fiscal Official personnel changes.

3.8.4 ***To request revision approval, grantees must submit five (5) re-typed Page Ones (OTS-38) of the project agreement (2 of the 5 Page Ones must have original signatures) and a justification letter to support the revision request. This documentation must be submitted to OTS prior to the effective date of the change(s).***

3.8.5 In determining project revision requests, the following will be considered:

- (a) Past and current performance;
- (b) The availability of funds;
- (c) Timeliness and quality of claims and Quarterly Performance Reports; and
- (d) Circumstances and justification for the request.

3.8.6 Projects continuing into a subsequent year must submit a written justification by October 31, to support the carry forward of unexpended prior year-end funds into a subsequent year. After receiving the justification letter and the September 30 reimbursement claim, OTS will determine the amount of unexpended funds approved to carry forward into the new year. A reduction of unexpended funds will not change the funding budgeted for the new year. OTS will mail a revised Page 2 (OTS-38a) of the project agreement to the grantee indicating the new year appropriation and the amount of unexpended prior year carryover available for expenditure in the new year.

NOTE: September 30 claims and written justifications, supporting the carrying forward of prior year unexpended funds, submitted after November 30, will not be processed. The prior claim (i.e., June 30) will be considered the year end claim in order to close out the federal fiscal year ended September 30. In addition, all unexpended prior year funds will automatically be deobligated and allocated to new projects.

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Implementation & Control of Approved Projects

3.9 WITHHOLDING, DISALLOWANCE, REDUCTION, TERMINATION AND/OR DENIAL OF GRANT FUNDS

The OTS Program Coordinator has the responsibility of recommending to the Director of OTS the cancellation of any project which is not being implemented in accordance with applicable federal and state laws, or pursuant to the terms of the signed project agreement.

- 3.9.1 OTS will withhold or disallow grant payments, reduce or terminate grant funds, and/or deny future grant funding anytime a grantee fails to comply with any term or condition of the grant contract or program guidelines. This may include, but is not limited to, the following:

- # Failure to submit acceptable and timely reimbursement claims;
- # Failure to submit acceptable and timely quarterly and final reports; and
- # Failure to submit acceptable and timely Schedule C=s (Quarterly Evaluation Data Form OTS-38g).

Should OTS deem it necessary to reduce or terminate grant funds, the grantee project director shall first receive a warning letter via certified mail of unacceptable project discrepancies, required corrective action, and the penalty for not timely rectifying the discrepancies by a specified deadline. If corrective action is not taken, the proposed penalty will be imposed. Payment for allowable costs up to the date of termination or reduction of grant funds will be subject to negotiation and availability of federal funds.

3.9.2 Termination Requested by the Applicant Agency

- (a) Agreements may be rescinded upon request of the applicant agency when the agency is unable to implement the project.
- (b) Upon review and approval by OTS, an agreement may be terminated without prejudice when the agency finds it is unable to continue with the work for justified reasons beyond its control. In such circumstances, the maximum reimbursement of claimed costs to the date of termination is limited to the negotiated amount determined to be allowable by a fiscal audit of the project records (Chapter 4, Section 4.4.4).

3.10 CLOSE OUT OF PROJECTS

Approximately 30 days prior to the project ending date, a close out package is mailed to the project director. This constitutes a reminder of the final date of the project and includes information to assist the project director with the final report and the final reimbursement claim.

3.11 FUND AVAILABILITY

Chapter 3

Implementation & Control of Approved Projects

If, during the term of the grant award, federal funds become reduced or eliminated, OTS may immediately terminate or reduce the grant award upon written notice to the grantee project director.

3.12 LIMITATION ON LIABILITY

The grantee shall be responsible for the settlement of any and all claims and lawsuits arising from or incident to OTS=s non-payment of the grantee=s claim. The grantee expressly acknowledges that its responsibility includes the payment of all damages, expenses, penalties, fines, costs, charges, and attorney fees, if the claims and lawsuits are based upon OTS=s non-payment of claims. The grantee shall defend any suits brought upon all such claims and lawsuits and pay all costs and expenses.

The grant award entered into with OTS is subject to any applicable restrictions, limitations, or conditions enacted by the United States Government subsequent to the execution of the grant award.

Chapter 4

Fiscal Requirements

4.1 GENERAL

- 4.1.1 This chapter describes program requirements and procedures for 1) the maintenance of acceptable source documentation and accounting records; 2) property management including inventory requirements; and 3) audit requirements.
- 4.1.2 It is the responsibility of the project director to ensure all costs of the project are entered into the applicant agency's accounting system, procedures are established, and source documents developed that will reliably account for the funds expended.
- 4.1.3 The applicant agency is required to maintain detailed source documents covering all costs charged to the project. These documents provide the source of entries into the accounting records and support costs reported on each reimbursement claim presented to the Office of Traffic Safety (OTS).
- 4.1.4 The applicant agency is required to adhere to certain standards and requirements governing the utilization and disposition of property (equipment) acquired wholly or in part with federal funds. State and local agencies may use their own property management procedures as long as the provisions of Section 4.4 of this chapter are included.
- 4.1.5 All project transactions are subject to audit. Failure to comply with the provisions of this chapter or any portion of Grant Program Manual, Volume II, will result in audit exceptions and subsequent loss of funds.

4.2 ACCOUNTING RECORDS

- 4.2.1 Any system of accounting may be used as long as it conforms to generally accepted accounting principles. In general, this means the existing accounting system of a political subdivision or state agency may be used.
 - (a) In some cases the agency's system may have to be expanded to provide specific identification of project revenue and expenditures.
 - (b) Project expenditures must be recorded directly in special project accounts. A complete memorandum list of expenditures must be maintained to facilitate an audit of project expenditures and preparation of claims for reimbursement.
- 4.2.2 Special job numbers or work activity codes must be established to segregate and record labor costs.

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Fiscal Requirements

4.3 ACCEPTABLE SOURCE DOCUMENTS

4.3.1 Personnel Costs

- (a) Payrolls must be on file for salary information. Labor charged to the project **must** be supported by individual daily time cards or payroll period time sheets. Labor codes or appropriate account numbers should be used to identify time charges against the project.
- (b) In some jurisdictions working hours are recorded by exception. (Only vacation, sick leave, jury duty, etc., hours are recorded.) In such cases, additional special documentation or worksheets shall be kept to support time chargeable to the OTS project.
- (c) Project related work time must be certified or approved by the supervisor. Approved work time certifications should be used to determine labor costs chargeable to the project and subsequently entered into agency accounting records.
- (d) All time sheets (whether exception or actual time) must be signed by the employee and certified by the employee's supervisor.
- (e) Employee benefits must be supported by formally established and approved pay rates, reflecting personnel policies and procedures of the funded entity or generally accepted practices within budgetary allotments.

4.3.2 Travel Expenses

- (a) Project related travel expenses must be supported by promptly prepared reimbursement vouchers and related receipts. Unless an out-of-state trip is already identified in the project agreement, all out-of-state travel requests must be submitted in writing to OTS for prior approval.
- (b) Transportation in agency-owned vehicles must be supported by records showing where, when, and by whom used and the miles involved. The agency's cost records must show how the mileage rate or other unit costs were developed.

4.3.3 Contractual Services

- (a) Labor or services provided by private firms, individuals or other agencies must be supported by an approved properly executed contractual agreement or interagency agreement. Such agreements shall indicate the term, scope and anticipated product or outcome, as applicable (Chapter 6).

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Fiscal Requirements

- b) Reimbursements must be supported by itemized invoices, in accordance with the terms and budget of the contract.

4.3.4 Nonexpendable Property

- (a) Purchases of all nonexpendable property must be supported by purchase orders or other original documents signed by the proper authority. Receipt of such items must be supported by properly signed and dated delivery slips or invoices.
- (b) Property must be received and accepted by an applicant agency before the costs may be claimed for reimbursement. Exceptions to this policy will be reviewed and approved on a case by case basis for extraordinary circumstances. Exception requests must be submitted to OTS in writing for prior approval.
- (c) An inventory of all nonexpendable property must be maintained in the project files. (Section 4.4 for additional requirements relating to the management of nonexpendable property.)

4.3.5 Other Direct Costs

- (a) Purchase of office supplies, printing, EDP services, materials, and other items of direct cost must be supported by purchase orders or other original documents signed by the proper authority. Receipt of such items must be supported by properly signed and dated delivery slips or invoices.
- (b) Cost of all items and services obtained from existing stock or facilities for use on the project must be supported by local request, letter, memorandum or other original document signed by proper authority.
- (c) A rental or lease agreement must be maintained in the project files for all items or facilities obtained and paid for in this manner. Proper billings for usage must also be on file.
- (d) Buildings and Facilities

Applicant agencies may be compensated for use on the project of its building, capital improvements and equipment through use allowances or depreciation. The computation of depreciation or use allowance will be based on acquisition cost. Where actual cost records have not been maintained, a reasonable estimate of the original acquisition cost may be used in the computation. Such computation will exclude the cost, or any portion of the cost, of buildings and equipment donated or borne directly or indirectly by the federal government through charges to federal grant programs. In addition, the computation will also exclude the cost of the land.

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Fiscal Requirements

- (1) Where the depreciation method is followed, adequate property records must be maintained and the method of computing depreciation must be consistently applied for any specific asset or class of assets. The method must result in equitable charges considering the extent of the use of the assets for the benefit of the Traffic Safety Program.
- (2) In lieu of depreciation, a use allowance for buildings and improvements may be computed at an annual rate not exceeding two percent of acquisition cost. The use allowance for equipment (excluding items properly capitalized as building costs) will be computed at an annual rate not exceeding six and two-thirds percent of acquisition costs.
- (3) No depreciation or use charge may be allowed on any assets that would be considered as fully depreciated. Reasonable use charges may be negotiated for any such assets after taking into consideration the original cost, the estimated remaining useful life, the increased maintenance cost or decreased efficiency due to age and any other factors pertinent to the use of the facility or item.
- (4) Operational costs of a building used solely by the project may be reimbursed on the basis of actual cost of utilities, maintenance, repairs and other applicable costs. Partial usage requires such costs be computed on the basis of square footage. Documentation must be available to support the computation.

4.3.6 Indirect Costs

An agency which has a federally approved cost allocation plan or an indirect cost rate proposal may be reimbursed for indirect costs using the lesser of the agency approved rate, or the OTS approved rate (Chapter 2, Section 2.6). Documentation must be available to support the rate and any periodic adjustments. Budget line items will be monitored to assure compliance with project terms.

4.3.7 Source Document Retention Period

The applicant agency must retain all project source documents and make them available for federal and state audit for a period of three years following the date of the final reimbursement of project expenditures. Records shall be retained beyond this date if audit findings have not been resolved.

4.4 PROPERTY MANAGEMENT

This section prescribes standards governing the title management and disposition of property furnished in whole or in part with highway traffic safety funds. These standards are in accordance with the NHTSA/FHWA ACommon Rule≡.

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Fiscal Requirements

- (a) The applicant agency is accountable for all tangible property during the term of the project and for all nonexpendable property throughout its useful life and/or final disposition in accordance with these procedures.
- (b) The applicant agency must ensure adequate controls are provided to safeguard property in their possession and any such property which is lost, stolen or otherwise disposed of is promptly reported to OTS. It is the responsibility of the applicant agency to provide for replacement of property throughout its useful life due to loss, theft, accident or circumstances other than normal wear.
- (c) Property must be maintained in good working condition and cannot be conveyed, sold or transferred without approval of OTS.
- (d) The agency must maintain updated inventory and location records which will include all property purchased or transferred during the funding period.

4.4.1 Definitions

The following definitions apply for the purpose of this section:

- (a) Real Property - Means land, including improvements, structures, and appurtenances, excluding movable machinery and equipment.
- (b) Personal Property - Property of any kind (except real property). Personal property may be tangible (having physical existence), or intangible (having no physical existence), such as patents and copyrights.
- (c) Nonexpendable Personal Property - Refers to tangible personal property with a useful life of more than four years, an acquisition cost of \$5,000 or more per unit, and must be used to conduct traffic safety activities.
- (d) Expendable Personal Property - Refers to all tangible personal property other than nonexpendable property.
- (e) Fair Market Value - Price at which the seller will sell without compulsion to sell and the buyer will buy without compulsion to buy. Determined through actual sale, dealer quotes, appraisal, or expert opinion.
- (f) Salvage Value - Price at which property can be sold after it has been fully depreciated. Should be generally equal to fair market value.

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4.4.2 Acquisition of Personal Property

All tangible personal property, other than materials or supplies (i.e., equipment), purchased under an OTS grant with an acquisition cost of \$5,000 or more per unit must be reported at the time of purchase on a Depreciable Property Agreement (OTS-25) (EXHIBIT 4-A). This form will be utilized for inventory and control of some expendable and all nonexpendable personal property throughout the term of the grant and for all nonexpendable property until the OTS interest in the property terminates.

(a) Expendable Personal Property

Title to expendable personal property shall vest in the applicant agency upon acquisition.

(b) Nonexpendable Personal Property

Title shall be vested in the applicant agency except (or with the condition) those items of nonexpendable personal property with a unit acquisition cost of \$5,000 or more per unit. OTS reserves the right to transfer title to OTS, or to a third party named by OTS, upon termination of the project or when the property is no longer used in traffic safety activities.

4.4.3 Property Management (Nonexpendable Personal Property)

(a) Records covering all nonexpendable property acquired with OTS funds shall be maintained accurately and provide for:

- # Description of property;
- # Serial number or other identification;
- # Acquisition date and cost (includes tax and installation);
- # Source (vendor, purchase order number, project number, etc.);
- # Location of property;
- # Use and condition of property;
- # Percentage of federal funds used in purchase;
- # Useful life and predetermined salvage value; and
- # Final disposition (sold, traded in, method of determining market value, etc.).

(b) Property records shall be retained as part of the project file. The records for nonexpendable property acquired wholly or in part with federal grant funds shall be retained for three years after final disposition of the property or for three years after final payment under the project, whichever is later.

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- (c) A physical inventory and reconciliation to the property records must be performed by the applicant agency at least once a year.
- (d) A certification is required annually listing all nonexpendable personal property, current utilization and current or anticipated need for the property.

4.4.4 Disposition of Nonexpendable Personal Property

- (a) Following termination of the project, the applicant agency may retain the property as long as it is being used for, and there is a continuing need to accomplish, the purpose of the grant program. When no longer needed for the purpose of the original project or program, the applicant agency may use the property in connection with other OTS sponsored activities or other federally sponsored activities.
- (b) When the applicant agency can no longer use the property in connection with any OTS, or other federally supported activities, it may be used or disposed of in accordance with the following standards.

Nonexpendable personal property:

- # If the property has no further use value and a fair market value of less than \$5,000, accountability for the property shall cease. Property records shall be appropriately noted and filed in accordance with the requirements for the retention of records. The property is determined to have no further value if it has been fully depreciated, exclusive of residual or salvage value in accordance with the depreciation schedule shown as EXHIBIT 4-B.
- # Property which becomes obsolete prior to the end of its originally estimated life span shall be considered fully depreciated. If the property has not been fully depreciated or has a fair market value of \$5,000 or more, the applicant shall request disposition instructions from OTS.
- # OTS shall determine whether the property can be used to meet other program requirements. If no requirement exists, upon notification by OTS the applicant agency may sell the property and reimburse OTS an amount computed by applying the percentage of federal participation in the original purchase of the sales proceeds. The applicant agency may deduct and retain \$100, or ten percent of the proceeds, whichever is greater, for selling and handling expenses.

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- # If the property has further use value or a fair market value of \$5,000 or more and the applicant has a need for the property, the applicant may trade in the property or retain the property for other uses. If traded in for grant or program related property, then OTS shall retain a financial interest in the new property or be paid compensation in an equal amount, unless the OTS interest in the new property would be less than \$5,000. If OTS interest would be less than \$5,000, accountability for the property terminates and the property accountability record annotated accordingly.

4.4.5 Intangible Property

- (a) If a project produces patents, patent rights, processes, or inventions during the course of work aided by a traffic safety grant, such fact shall be promptly and fully reported to OTS. OTS shall determine whether protection on such invention or discovery (including rights under any patents issued thereon) shall be disposed of and administered in order to protect the public interest consistent with A government patent policy.
- (b) Where the grant results in copyrightable materials, the author or grantee is free to copyright the work, but OTS and its federal grantor agencies reserve a royalty-free, nonexclusive and irrevocable license to reproduce, publish, or otherwise use, and to authorize others to use, the work for government purposes.

4.5 AUDIT REQUIREMENTS

The OTS audit function is to assure the federal funding sources, the state regulatory entities, and the management of the department that the grant project recipient utilizes a system of identifiable management controls which can be expected to assure an acceptable level of effectiveness and general compliance with governing laws, regulations and administrative requirements, thus reducing the probability of significant errors, omissions, and irregularities.

4.6 AUDIT RESPONSIBILITY

It is the shared responsibility of the applicant agency and OTS to ensure acceptable entity wide audits are conducted at least once every year in accordance with state and federal requirements. It is also the responsibility of the applicant agency to ensure acceptable documentation is maintained and made available to support all project charges.

4.7 SPECIAL AUDITS

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Project agencies are advised that several additional agencies reserve the right to conduct audits or program reviews in addition to OTS. These agencies include: federal agencies (i.e., National Highway Traffic Safety Administration [NHTSA]; Federal Highway Administration [FHWA]; General Accounting Office [GAO]) and state agencies (i.e., Auditor General; Controller; and Department of Finance).

Chapter 5

Preparation of Reimbursement Claims

5.1 GENERAL

- 5.1.1 All claim invoices for reimbursement of project expenditures will be prepared under the direction of the agency fiscal head or chief accountant directly from costs of record in the accounting system. These invoices should be processed through the agency's billing department, entered in the accounting system as a receivable, and issued to the Office of Traffic Safety (OTS). This will ensure proper accounting for reimbursements.
- 5.1.2 Agency claims for reimbursement must be made on the Project Claim Invoice, form OTS-39 and Project Claim Detail, form OTS-39a (EXHIBIT 5-A). A computer generated form is acceptable as long as it mirrors the information on the original documents. This form must be signed by the project director, authorizing official, or the fiscal officer, unless written delegation to another official has been made and his/her signature sample has been filed with OTS.

5.2 CLAIM SUBMISSION

- 5.2.1 A claim shall be submitted each calendar quarter (3/31, 6/30, 9/30, 12/31). Claims are due to OTS no later than 30 days following the end of the calendar quarter. A quarterly claim must be submitted even if no expenses were incurred during the quarter. On an exception basis, claims may be submitted monthly.
- 5.2.2 Failure to submit a timely reimbursement claim will result in the withholding or disallowance of grant funds, the reduction or termination of grant funds, and/or the denial of future grant funding (Chapter 3, Section 3.9.1).
- 5.2.3 OTS will exercise all good faith to make payments within 35 days of a correctly submitted claim. All payments, however, are contingent upon the availability of funds (Chapter 3, Sections 3.11, 3.12).
- 5.2.4 Final claims may not be paid until the project final report has been received and approved by OTS. Failure to submit a report within 60 days of the project's ending date will result in the loss of grant funds (Chapter 3, Section 3.9.1).

5.3 CLAIM FORMS OTS-39 AND OTS-39A

- 5.3.1 The Project Claim Invoice (OTS-39) is the voucher form used to certify expenditures and claim reimbursement on all projects. It is submitted in triplicate and with an original signature on one copy. This must be signed by either the project director, authorizing official, fiscal officer, or other authorized official.

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Preparation of Reimbursement Claims

- 5.3.2 The Project Claim Detail (OTS-39a) is the form used to support the costs claimed for reimbursement on the OTS-39. This form is used by OTS to assist in the desk audit of all project related costs.
- 5.3.3 The Depreciable Property Agreement (OTS-25) is completed by the grantee to reflect currently claimed nonexpendable property (unit cost of \$5,000 or more). One of the three OTS-25's submitted with a claim must have an original signature from an authorized official. Any grantee employee can sign as the property officer on the OTS-25. Refer to the backside of the OTS-25 for detailed instructions.
- 5.3.4 Submit three sets of separately collated packets of the above appropriate forms and invoices.

5.4 CLAIM PREPARATION

Samples of the OTS-39 and OTS-39a have been provided to illustrate the first two claims for the sample AAnytown project agreement (EXHIBIT 5-A).

- 5.4.1 Project Claim Invoice (OTS-39)
- (a) Indicate whether claim is Aprogress or Afinal by placing a check mark in the proper box.
 - (b) Enter the agency name, mailing address, city, project title, project number, and claim number. The agency name must be the same as the applicant agency on the project agreement.
 - (c) Enter dates covering the total claim (project starting date to ending date of claim).
 - (d) Enter the cost category expenditures in the proper columns, total cost to date, less prior claims and net amount this claim.
 - (e) Type in the name of certifying official, title, and date of claim preparation.
 - (f) The project director, or duly authorized designee, must sign an original copy of the claim. The other two copies may be duplicates.
- 5.4.2 Project Claim Detail (OTS-39a)
- (a) Enter the agency name, project number, and claim number. This data should be the same as recorded on the OTS-39. Enter the period of time for which claimed costs were incurred.

Chapter 5

Preparation of Reimbursement Claims

- (b) Personnel Costs - Enter the name(s) of the agency employee(s) for whom budgeted personnel costs are being claimed. Provide the salary, overtime, benefits associated with the salary, and the total costs for each employee listed. Subtotal each column and indicate the total amount being claimed and reflected on the OTS-39. If other than 100% of these costs are being claimed, indicate that percentage (EXHIBIT 5-A, Claim No. 2).
- (c) Travel Expense - Indicate the name(s) of the agency employee(s) for whom budgeted travel expenses are being claimed during this period, the destination where expenses were incurred, and the number of days on travel status. Provide a breakdown of costs associated with this travel to include commercial fare (indicate air, bus, rail, etc.); per diem; private auto mileage rate, and the number of miles; miscellaneous costs; and the total amount claimed and reflected on the OTS-39.
- (d) Contractual Services - Enter the name(s) of the contractors for which costs are being claimed during this period. Provide the total amount invoiced by the contractor(s); percentage and amount being retained; and the net amount of contractual services costs being claimed and reflected on the OTS-39. (Attach one copy of the contractor's invoice(s) to each OTS-39a.)
- (e) Nonexpendable Property (NEP) - Includes items with a unit cost of \$5,000 or more. To claim reimbursement for NEP items identified in the project budget provide the total amount invoiced for each item on the OTS-39a. The total NEP shown on the OTS-39a must reconcile to the penny with the NEP cost category total (do not round up or down) on the OTS-39 and the OTS-25. Be sure the attached NEP invoices reconcile to the OTS-39a and OTS-39.
- (f) Other Direct Costs (ODC) - ODC includes item(s) with unit cost of less than \$5,000. List those budgeted line items for which costs are being claimed during this period and the amounts for each item. Provide the total amount being claimed for other direct costs and reflected on the OTS-39.
- (g) Indirect Costs - Indicate the base on which indirect costs are computed (salaries, total personnel costs, total costs, etc.) and the amount of the base. Indicate the approved indirect cost rate and the computed amount being claimed and reflected on the OTS-39.

5.4.3 Claim Preparation ADOs and Don=ts≡

- # Don=t use white out or corrective tape.
- # Submit legible invoices for costs claimed under Contractual Services and Nonexpendable Property.

Chapter 5

Preparation of Reimbursement Claims

- # All claims for NEP must include a completed Depreciable Property Agreement (OTS- 25).
- # Currently claimed NEP must reconcile to the penny with the invoices, OTS-25, OTS-39, and OTS-39a.
- # Submit three sets of separately collated packets of OTS-39, OTS-39a, and if applicable contractual services and NEP invoices and OTS-25.
- # One of the three OTS-39's and if applicable Aone≡ OTS-25's must have an original signature from an authorized official. The person signing the OTS-39 and the name typed on the OTS-39 must be the same (i.e., no one can sign for someone else).
- # Be sure claims are correctly computed and reconciled.
- # Be sure to correctly bring forward Aprior claimed≡ amounts to the subsequent claim.
- # Don=t round-off figures.
- # Don=t re-number claims at the end of the fiscal year.
- # Claims are due no later than 30 days following the end of each calendar quarter.
- # Submit a zero claim even if there were no expenses incurred during the quarter.
- # Don=t attach claim forms to the Quarterly Performance Reports.

5.4.4 Copies Required for Each Claim

The original and two copies of OTS-39 and three copies of OTS-39a and other documents are to be forwarded to Office of Traffic Safety, 7000 Franklin Boulevard, Suite 440, Sacramento, California 95823.

Chapter 6

Procurement & Contract Administration

6.1 GENERAL REQUIREMENTS

- 6.1.1 These procedures are intended for use by those whose responsibility it is to procure supplies, equipment, or services; prepare or review contracts, subcontracts, interagency or standard agreements; or prepare invitations for bids or request for proposals in connection with the administration of California Traffic Safety Program funds. State agencies must comply with contract and procurement policies and procedures as set forth in the State Administrative Manual (SAM).
- 6.1.2 The applicant agency is the responsible authority without recourse to the state regarding the settlement and satisfaction of all contractual and administrative issues arising out of procurement contracts entered into in support of a traffic safety agreement. This includes, but is not limited to: disputed claims; protests of awards; and the evaluation of other matters of a contractual nature. Matters concerning violations of law are to be referred to the appropriate local, state, or federal jurisdiction legal authority.
- 6.1.3 The applicant agency is responsible for insuring compliance with all applicable local, state, and federal rules and regulations; making the most economical and judicious use of federal funds; and, insuring that all materials, services, and supplies are obtained in the most effective manner possible.
- 6.1.4 Applicant agencies are expected to use their own formally established procurement and contracting procedures, provided they adhere to all the provisions contained herein. Written copies of established procedures must be made available for audit purposes upon request from the Office of Traffic Safety (OTS).
- 6.1.5 The recipients of OTS project grants and their subcontractors shall certify that minority, women, or disabled veteran business enterprises (M/W/DVBE), have maximum opportunity to participate in all procurements and contracts provided by project grants. No agency or its subcontractors shall discriminate on the basis of race, color, national origin, sex, or physical handicap, in the award and performance of OTS-funded grant agreements or subcontracts.

6.2 DEFINITIONS

6.2.1 Contractual Services

Professional or specialized services and associated costs furnished to applicant agencies under approved contract with other agencies or independent firms or individuals.

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Procurement & Contract Administration

6.2.2 Contract

A contract includes, but is not limited to, subcontracts, contractual agreements, interagency agreements, standard agreements, and similar documents specifying terms and conditions for services to be performed.

6.2.3 Consultant

A consultant is the individual or firm providing professional or specialized services as a party to a contract. The term "consultant" is not restricted to engineers or engineering firms.

6.2.4 Interagency Agreement

A document specifying services to be provided between political subdivisions (e.g. state agencies, counties, cities, etc.).

6.2.5 Minority, Women, And Disabled Veterans Business Enterprise (M/W/DVBE)

Title 49 Code of Federal Regulations (CFR) Part 23 defines a minority business enterprise (MBE) as any business concern which is at least 51 percent owned and controlled by one or more minorities or women. The California Code of Regulations, Title 2, Subchapter 10.5, defines M/W/DVBE as any business enterprise at least 51 percent owned by minorities, women, or disabled veterans.

6.2.6 Standard Agreements

Standard Agreements (STD. 2) are used by state agencies for all contracts (other than interagency agreements) between state agencies and either private firms, individuals, or local agencies.

6.3 POLICIES

6.3.1 Competition

All procurement and contractual transactions, regardless of whether negotiated or advertised, and without regard to dollar value, shall be conducted in a manner so as to provide maximum open and free competition. Applicant agencies may use their official agency policies, which meet all legal requirements instead of the state and federal policies listed. A copy of that official policy must accompany the project agreement.

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6.3.2 Consultant Proposals

At least three (3) qualifying proposals should be secured on all potential contracts for consulting services. In those instances when three (3) proposals cannot be secured, a full explanation, including the names and addresses of all firms and individuals invited to submit proposals, along with a statement of the reasons why those who did not respond did not submit proposals, will be forwarded to OTS for approval **prior** to the award of a contract.

6.3.3 Competitive Bids

At least three (3) competitive bids should be secured on procurements and contracts, except interagency agreements, for equipment and consulting services. In those instances where three (3) bids have not been received, a full explanation, along with the names and addresses of those firms and individuals requested to bid, and including reasons why agencies failed to bid, must be forwarded to OTS for approval **prior** to awarding a contract.

6.3.4 Sole Source

Sole source (non-competitive) procurements and contracts are allowable only when such procurements or contracts meet the requirements stated in Section 6.5.2, and **prior** authorization has been given by OTS.

6.3.5 Solicitation

No employee of the applicant agency, the contractor, or any agency acting on behalf of the agency, may solicit or accept gratuities, favors, or anything of monetary value from contractors or potential contractors.

6.3.6 Minority, Women, And Disabled Veterans Business Enterprises (M/W/DVBE)

Positive efforts shall be made to utilize M/W/DVBE as sources of supplies, materials, and services, and to provide maximum opportunities for such enterprises to compete.

6.3.7 Contract Document Type

The type of contract document (i.e., fixed price contracts, cost reimbursable contracts, purchase orders, etc.) shall be the most appropriate to the particular contract or procurement for promoting the best interests of the grant program.

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6.3.8 Invitation of Bids/Request for Proposals

Invitations for Bids, or Requests for Proposals, shall be based on clear and accurate descriptions of the technical requirements of the materials, products, or services to be obtained. Such descriptions shall not contain features which unduly restrict competition.

6.4 MINORITY, WOMEN, AND DISABLED VETERANS BUSINESS ENTERPRISE (M/W/DVBE) PROGRAM

6.4.1 General

Title 49, CFR, Part 23, Sections 23.43 and 23.45 (e)-(1), sets forth certain federally required minority business enterprise (MBE) program elements applicable to all procurement and contract activities carried out under Traffic Safety Program grants. The State of California Code of Regulations, Title 2, Subchapter 10.5, sets forth the regulations required by the state for employing businesses owned and controlled by minorities, women, and disabled veterans by any agency of state government, including OTS.

6.4.2 M/W/DVBE Directory

The State of California, Department of General Services, Office of Small and Minority Business, produces, maintains, and makes available, a complete directory of businesses qualifying as M/W/DVBE's. The State of California, Department of Transportation (Caltrans) also provides a similar directory, especially identifying those agencies or firms with capabilities relevant to highway safety contracts. These directories are available to local government agencies, state agencies, bidders, and contractors. Contact the Department of General Services, Office of Small and Minority Business, or Caltrans, Division of Civil Rights, in Sacramento. Some local agencies have compiled similar directories, which may be utilized as well.

6.4.3 Requirements

The project director for each traffic safety project must read, sign, and insure implementation of all provisions contained in the Acceptance of Conditions and Certifications (OTS-33), including the section entitled AMinority and Women Business Enterprise≡ (EXHIBIT 6-B).

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Upon the selection of any contractor, subcontractor, or vendor, the project director shall complete an OTS-24, Record of Minority, Women, and Disabled Veteran Business Enterprise Participation (EXHIBIT 6-B). Instructions for completing and submitting the OTS-24 are detailed on the reverse side of each form. Below are further details for completing the OTS-24:

- # Applicant Agency - Insert the name of the agency with whom the project agreement has been executed (the project director's agency);
- # Project Number - Insert the OTS-assigned project number from Page 1 (OTS-38) of the grant agreement;
- # Contractor/Vendor - Insert the name of the contractor or vendor with whom the applicant agency will conduct business as a result of the contract. A separate OTS-24 is required for each contractor or vendor;
- # Cost of Services or Materials - Insert the dollar amount of any contract or the dollar amount of any purchased materials;
- # Complete questions 5 through 10 as appropriate; and
- # The project director must submit form OTS-24 in duplicate whenever a contractor, subcontractor, or vendor is selected as the result of the grant agreement.

6.5 PROCUREMENT

6.5.1 Formal Advertising

Formal advertising and bidding shall be the required method of procurement unless negotiation is necessary as outlined in Section 6.5.2. Lists of advertising sources of minority, women, and disabled veterans can be obtained from the state Department of General Services, Office of Small and Minority Business.

6.5.2 Negotiated Procurements

Procurements may be negotiated if it is impractical or infeasible to use formal bidding procedures. For negotiation to be approved, at least one of the following general conditions must be present and documented, and full justification submitted to OTS:

- (a) The public demand or need will not permit the delay incident to advertising.

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- (b) The material or service to be procured is available from only one person or firm. All contemplated sole source procurements with an aggregate expenditure expected to exceed \$25,000, require prior approval of OTS.
- (c) No acceptable bids have been received after formal advertising.
- (d) The purchases are for highly perishable materials or medical supplies, materials, or services where the prices are established by law; technical items or equipment requiring standardization and the interchangeability of parts in existing equipment; experimental, developmental, or research work; supplies purchased for authorized resale; and technical or specialized supplies requiring substantial initial investment for manufacture.

6.6 CONTRACTUAL SERVICES (GENERAL)

6.6.1 General Contract Approval

Approval to enter into a contract to perform the described duties of the grant agreement will be predicated upon the project agency fulfilling the general requirement that contractors should be used only when:

- (a) Employment of a contractor will enable the agency to meet those program requirements it cannot meet with its own staff;
- (b) The requirements are of such character or duration that direct employment of temporary staff is impracticable; and
- (c) An independent viewpoint or judgement is required.

6.6.2 The project agency shall establish procedures for effectively monitoring contracts in progress, including methods for determining and documenting contractor performance and the propriety of contractor claims. **Contracts must not be executed without prior written approval of OTS.** (Services of a specialized nature, such as EDP services, reproduction, photography, and similar work included as other direct costs in the project agreement need not meet this requirement.)

6.6.3 Before contracts can be approved, the costs of the proposed contract must be included opposite contractual services in the project agreement.

6.6.4 Recommendations for Securing a Consulting Firm (OTS-40) [EXHIBIT 6-C] outlines detailed procedures for project agencies to follow in obtaining a consulting firm to perform all or part of a traffic safety project.

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6.6.5 Subcontracting (General)

Certain phases of project activities, or an entire project, may be subcontracted when the work to be subcontracted is clearly defined in the project agreement. Subcontracting, for purposes of this section, is defined as a contract between a primary contractor and some other firm or individual not normally affiliated with the contractor.

6.6.6 Subcontract Approval

Approval to subcontract shall be required of the project agency and of OTS in advance of execution.

6.7 CONTRACTUAL SERVICES RFP/PROPOSAL REQUIREMENTS

6.7.1 The project agency shall submit a draft of the request for proposal (RFP) to OTS for approval. Upon approval, the agency shall distribute sufficient numbers of the RFP to reasonably expect to receive at least three proposals in response. It is suggested that, if possible, seven RFP's or more be distributed.

6.7.2 In addition to the above, the following procedures for soliciting responses to an RFP are strongly recommended:

(a) Displaying copies of the invitation at the agency office, or at other appropriate public places.

(b) Inserting announcements of proposed projects in trade publications.

(c) Publishing the details of a proposal solicitation in newspapers and minority-focused media. The Office of Small and Minority Business can provide a list of such publications, organized by regions.

(d) State agencies must advertise in the State Contracts Register. Other agencies are encouraged to also use this resource.

6.7.3 Proposals shall be solicited with at least 20 working days notice to allow prospective contractors sufficient time to assess contractual requirements and prepare responsive proposals.

6.7.4 Each prospective contractor must be able to provide a breakdown of the cost estimate for performing the contract work, including the costs of direct salaries, payroll additives, other direct costs, indirect costs, and profit. Such a cost breakdown may serve as a basis for negotiation after the initial selection has been made.

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6.8 SELECTION OF CONSULTANTS

6.8.1 Selection Criteria

The project agency shall establish criteria which will serve as the basis for selection. These criteria shall include:

- # professional qualifications;
- # demonstrated competence;
- # appropriate experience;
- # education and experience of key personnel;
- # proven ability to meet schedules;
- # qualification of principals to be assigned;
- # the nature and quality of completed work;
- # reliability and continuity;
- # location;
- # professional awards;
- # financial capability;
- # M/W/DVBE participation; and
- # other factors and considerations which are deemed relevant.

Each of these factors shall be evaluated by the project agency according to the nature and complexity of the project, and the needs of the agency and the state.

6.8.2 Oral Presentations

The agency shall use its established process of contractor review to initially rank potential contractors.

6.8.3 Initial Selection

It is recommended that oral presentations be made by the firms or individuals deemed most qualified to perform the work described in the RFP. A tentative final selection should be made following such presentations.

6.8.4 OTS Approval

A list of the firms and individuals to whom the RFP was mailed, a list of the firms or individuals who responded, a description of the selection criteria and process, and a copy of the tentatively selected proposal, must be forwarded to OTS for approval before awarding a contract or negotiating the final bid cost.

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For those agencies experienced in contract administration, or otherwise reasonably confident in their contractor selection process, a draft contract may accompany the above.

At the discretion of the OTS coordinator, the draft contract may be submitted after the above have been approved. In either case, approval must be given for the selection process and for the proposed contract before contract execution.

6.8.5 Cost Negotiation

After the initial selection process has been completed, but before a contract is prepared, the agency shall negotiate the contract with the best qualified firm or individual. If a satisfactory contract cannot be negotiated with the most qualified potential contractor, negotiations should be pursued with the other qualified contractors until a satisfactory contractual arrangement can be made.

6.8.6 Contract Rejection

If no satisfactory contract can be negotiated with the firms or individuals who responded to the RFP, all proposals may be rejected. Depending on the nature and extent of the problem, the RFP may then be reissued, or approval may be pursued from OTS to modify the project contractual services requirements or increase the project budget.

6.9 CONTRACTUAL AGREEMENT REQUIREMENTS

6.9.1 Preaward Audits

All proposed contracts must be reviewed and approved by OTS prior to contract execution. Preaward audit evaluations will be performed on all proposed contracts in excess of \$50,000, and on other contracts as OTS deems necessary. The evaluation will include:

- (a) A determination of the propriety of amounts set forth in the cost proposal;
- (b) A determination of the adequacy of the consultant's system to segregate and accumulate reasonable allocable and allowable costs for charges to the proposed contract; and
- (c) A determination that the agreement complies with all state and federal cost criteria.

6.9.2 Contract Content

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The nature of the services to be performed under contract is so variable it is not always practical to follow a standard contract format. There are certain minimum requirements which must be included in every contract. The model contract in EXHIBIT 6-D contains all of these minimum requirements. In order to facilitate the OTS review, it is suggested the format and terminology of the model contract be followed as closely as possible. The following provisions are required and illustrated in the model contract:

- (a) Specification of the parties legally entering into the contract.
- (b) Article I - Statement of Work - A statement of each task to be performed, the percentage of the total contract each task represents, and the estimated cost associated with each task.
- (c) Article II - Costs - A statement of the method and amounts of compensation. The acceptable methods of payment are explained in Section 6.9.4.

NOTE: The "cost plus a percentage of cost" method is not an acceptable method of compensation.

A cost/price proposal in a format similar to that shown in EXHIBIT 6-E must be attached and made a part of the agreement.

- (d) Article III - Cost Limitation - A statement of the total allowable compensation to the contractor must be included.
- (e) Article IV - Method of Payment - The terms and conditions under which payment to the contractor will be made must be specified. The following statement will be included:

AThe contractor will be reimbursed for costs incurred in the performance hereof as are allowable under the provisions of Part I-15 of the Federal Procurement Regulations≡.

The agency should provide for a percentage retention (10% suggested) of each billing, which shall be released to the contractor, together with the final payment, upon the satisfactory completion of the terms and conditions of the contract, and acceptance of the contract final report by the agency and OTS.

- (f) Article V - Subcontracting - There must be a statement that the contractor may not subcontract any portion of the contract without the express written consent of the agency and OTS.
- (g) Article VI - Completion Date - A definite contract termination date, as well as completion dates for major phases of the work must be included.

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- (h) Article VII - Reports - There must be a provision that a draft final report will be delivered to the agency and OTS for approval. A specified number of copies of the approved final report must be required to be delivered no later than 30 days after completion of the contract.

NOTE: This grace period does not constitute authorization for reimbursement by OTS for any work performed after the termination date of the contract or the grant agreement. No costs incidental to the preparation or delivery of the final report are allowable subsequent to the closing date of the project agreement.

- (i) Article VIII A and B - Publications - There must be a statement that publication rights and copyrights are to be retained by the agency and OTS, and any oral or written releases of information, except for technical and teaching lectures, are subject to prior approval of the agency and OTS.
- (j) Article VIII C, D, and E - Credits and Disclaimer - There shall be a credit line stating the study was done in cooperation with the State of California, Office of Traffic Safety, and the Federal Highway Administration (FHWA) or the National Highway Traffic Safety Administration (NHTSA) [whichever is appropriate]. A disclaimer to the effect that the opinions, findings, and conclusions expressed in the publication are those of the authors and not necessarily those of the other cooperating parties, must also be included.
- (k) Article IX - Project Inspection - There must be a provision that OTS, FHWA, and NHTSA may review and inspect the contractor's activities during the progress of the contract.
- (l) Article X - Accounting Records - The contractor must maintain accounting records and other evidence pertaining to costs incurred, and make them available for audit at the contractor's California office during the contract period and for three (3) years from the date of final payment.
- (m) Article XI - Ownership of Data - A statement must be included that ownership of data and material collected under the contract is vested in OTS, or jointly in OTS and the agency.
- (n) Article XII - Contract Termination - There must be provisions for the termination of the contract, with and without cause, and for settlement of claims in case of termination.

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- (o) Article XIII - Assignability - It must be stipulated that the contract shall not be assigned or the interest transferred without the written prior approval of the agency and OTS.
- (p) Article XIV - Amendments - There shall be provision that amendments to the contract will be made in writing, will be properly executed, and will be approved by OTS and the agency.
- (q) Article XV - Nonsolicitation Clause - All contracts shall contain the nonsolicitation clause exactly as it is written in the model contract, EXHIBIT 6-D, Article XV.
- (r) Article XVI - Equal Opportunity Assurance - All contracts and subcontracts shall include the assurances exactly as written in the model contract, EXHIBIT 6-D, Article XVI.
- (s) Article XVII - Minority, Women, and Disabled Veterans Business Enterprise (M/W/DVBE) Program - All contracts and subcontracts shall provide that:

During the performance of this contract, the contractor agrees to insure that minority and women business enterprises, as defined in 49 CFR Part 23, and minority, women, and disabled veterans, as defined in the California Code of Regulations, Title 2, Subchapter 10.5, shall have the maximum opportunity to participate in its performance. The contractor will take all necessary and reasonable steps in accordance with the above referenced laws to insure that M/W/DVBE's have the maximum opportunity to compete for and perform any subcontracts for materials, services, or supplies procured under this agreement.

- (t) Article XVIII - Drug-Free Workplace - All contracts and subcontracts shall contain the clause in EXHIBIT 6-D, Article XIII.
- (u) Article XIX - Clean Air Act - Contracts and subcontracts of amounts in excess of \$100,000 shall contain a provision which requires the recipient to agree to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act of 1970 (42 U.S.C. 1857 et seq) and the Federal Water Pollution Control Act (33 U.S.C. 1251 et seq) as amended. Violations shall be reported to the Environmental Protection Agency.

Additional articles or sections may be added by project agencies to meet additional local requirements. An often used addition is to include local insurance requirements. The Articles detailed above represent minimum requirements.

6.9.3 Compensation Methods

- (a) Lump Sum Method

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By this method, the consultant agrees to perform the stated service for a pre-agreed amount as full compensation.

! This method of payment is appropriate only if the extent, scope, complexity, character, and duration of the work has been established to the degree that just compensation can be determined by all parties at the time of negotiation.

! An estimate must be prepared showing the probable costs for different elements of the work and the expected net fee for the consultant. A breakdown of direct and indirect costs and the consultant's method of dividing the project into work units should also be included.

! The amount proposed for the net fee portion must be supported on the basis of the financial and professional investments required of the consultant and the complexity and scope of the work.

(b) Cost Per Unit of Work

By this method, the consultant is paid on the basis of work performed. A unit of work may be defined as a measurement of work. This method is appropriate when the cost of the work per unit can be determined in advance with reasonable accuracy, but the extent of the work is indefinite. A proposal utilizing this method of payment should be supported in the same manner as that specified for the lump sum method.

(c) Cost Plus a Net Fee Amount

By this method of payment, the consultant is reimbursed for his costs and receives, in addition, a predetermined amount as a net fee.

This method of payment is appropriate when the extent, scope, complexity, character, or duration of the contract is indeterminable at the time of negotiations, or when the work is of a nature that the agency does not have the experience or knowledge to permit an evaluation of the consultant's proposal as required to support a lump sum payment.

The net fee shall be negotiated with consideration of the financial and professional investments to be required of the consultant, the extent, scope, complexity, character, and duration of the services, the degree of responsibility to be assumed by the consultant, and other factors as contemplated at the time of negotiations.

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(d) Cost Reimbursement

By this method, the consultant is reimbursed for actual costs only. This method is used primarily when a non-profit contractor is involved.

(e) Specific Rates of Compensation

By this method, the consultant is paid at an agreed upon and supported fixed hourly or daily rate for each class of employee directly engaged in the work. Such rates of pay include the consultant's estimated costs and net fee. This method of payment should be considered only on those occasions when none of the four methods described above can be used. It should be considered only for relatively minor items of work of indeterminable extent over which the agency maintains control over the class of employee to be used and the extent of such use.

6.9.4 Contract Changes

A contract may be revised with prior written approval, if there is significant change in any or all of the following:

- (a) Scope, complexity, or character of the services to be performed;
- (b) Conditions under which the work is required to be performed;
- (c) Duration of work if the change from the time period specified in the agreement for completion of the work warrants such an adjustment; and
- (d) Contract amount.

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7.1 REPORTS REQUIRED

- 7.1.1 Quarterly performance reports and final project reports must be submitted to the Office of Traffic Safety (OTS) on a timely basis in accordance with the provisions of this chapter.

7.2 QUARTERLY PERFORMANCE REPORT (QPR)

- 7.2.1 The purpose of the QPR is to provide the grantee and OTS with an evaluation of progress. Grantee QPR information and data is incorporated into the OTS “Annual Performance Report” to NHTSA, FHWA, and the State Legislature.
- (a) The QPR is our main source of determining project success and commitment. This is your chance to show us what you have done. It can also alert us to difficulties you may be experiencing.
 - (b) The QPR shall describe activities undertaken to accomplish project goals and objectives. In addition, the QPR must describe current or planned corrective action required to meet project goal and objective deficiencies. The QPR should be a thorough statement of project activities.
- 7.2.2 One copy of the QPR is required. Please do not mail the QPR and claim together. Also, be sure to include your project number, your OTS Program Coordinator’s name, and current quarter on the QPR cover.
- 7.2.3 ***The QPR, covering the preceding three months’ activities, must be forwarded to OTS for receipt by January 31, April 30, July 31, and October 31 of each year of project activity. Failure to submit timely QPR’s will result in the withholding or disallowance of grant payments, the reduction or termination of grant funds, and/or the denial of future grant funding (Chapter 3, Section 3.9.1).***
- (a) The initial QPR for a new project is required on the first due date shown above which follows the effective date of the project. This may result in the first report covering less than a full quarter period.
 - (b) A QPR is also required for any portion of activity occurring during the final quarter of project operations. This report is in addition to the overall final project report.

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7.3 QUARTERLY PERFORMANCE REPORT FORMAT

7.3.1 The narrative summary and applicable forms must be completed quarterly. Some of the items to be addressed in the QPR are as follows:

- (a) How much was accomplished? Copy each goal and objective in your project agreement. Provide a current quarter and year-to-date analysis of your progress for each goal and objective.
- (b) What work was done? Describe the various tasks that were carried out by project personnel. This description should relate to the work schedule in terms of the tasks or phases in which activities were performed.
- (c) Were there any problems encountered that affected project progress, and what steps were taken to overcome the problems?
- (d) Is planned work ahead, behind, or on schedule?
- (e) How will project delays affect the total project cost and time schedule?

NOTE: Additional QPR format requirements and applicable forms will be provided at the “pre-operational” meeting. Pre-operational meetings are scheduled within the first 75 days of the grant period.

7.4 QUARTERLY EVALUATION DATA FORM - SCHEDULE C

7.4.1 Most grantees must complete a Quarterly Evaluation Data Form, Schedule C (EXHIBIT 1-A). The calendar base year will be determined in discussions with your OTS Program Coordinator. Your appropriate Schedule C data elements will be defined by your OTS Program Coordinator. The calendar base year data must be compiled from the grantee’s internal records and reports.

- (a) The applicable Schedule C calendar base year data elements must reconcile to the corresponding goals and objectives in the “Performance Measures” section in Schedule A of the Project Agreement.
- (b) Each calendar quarter, grantees are required to submit a timely and correct Schedule C with the narrative QPR no later than 30 days following the end of each calendar quarter. Grantees must use their own internal collision records and reports to complete the Schedule C.
- (c) Failure to submit a timely and correct Schedule C will result in the withholding or disallowance of grant payments, the reduction or termination of grant funds, and/or the denial of future grant funding (Chapter 3, Section 3.9.1).

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7.5 FINAL REPORT AND EXECUTIVE SUMMARY

- 7.5.1 A Final Report of project accomplishments is required not later than 60 days following the termination date of the project. One (1) copy of the report is required.

NOTE: The 60 day grace period for the submission of the Final Report does not constitute authorization for reimbursement of costs for work performed after the termination date of the project. Costs incidental to the report's preparation or delivery that were incurred subsequent to the termination of the project are not allowable. Failure to submit the Final Report within 60 days will result in loss of grant funds (Chapter 3, Section 3.9.1).

- 7.5.2 The Final Report will be used for the following purposes:

- (a) To determine what effect the project had toward reducing or solving the identified traffic safety problem.
- (b) To determine the contribution of the project to the applicant agency and California's Traffic Safety Program.
- (c) To evaluate the benefits derived in relation to the costs incurred.
- (d) To assist other agencies who have the same program deficiencies.

7.5.3 Final Report Format

The Final Report should be creative and resourceful. The Final Report must include, but is not limited to, the following factors:

- (a) Credits - In addition to any other credits the agency wishes to give, the following should be shown in the report: "This project is a part of the California Traffic Safety Program and was made possible through the support of the California Office of Traffic Safety, State of California, and the National Highway Traffic Safety Administration (or the Federal Highway Administration if the project is roadway related)."
- (b) Disclaimer - The Final Report must include the following: "The opinions, findings, and conclusions expressed in this publication are those of the authors and not necessarily those of the State of California, the National Highway Traffic Safety Administration, or the Federal Highway Administration."
- (c) Project Personnel - Identify the key personnel who worked on the project together with their job classifications and give a brief description of their contribution.

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- (d) Goals and Objectives - Restate the objectives of the project as identified in the project agreement. This will allow analysis of the report as a self-contained document and will aid other agencies in defining their deficiencies.
- (e) Methodology - Describe in detail how the project was implemented. This description should speak specifically on how each task identified in the project agreement was accomplished. This will be helpful to other agencies who may desire assistance in the same program area. OTS can use the methodology description to develop cost ratios for work performed and to develop an outline for implementing similar projects with maximum benefits.
- (f) Problems - Describe any operational or cost problems that were encountered in project implementation. If known, state alternate methods that would have avoided the problem and increased the effectiveness of the project. This information will assist other agencies in avoiding the same problems.
- (g) Results - Describe in detail the results of the project in terms of meeting each original goal and objective. Also describe the results in terms of how they will be specifically applied for future improvement of the agency's continuing traffic safety program. Where possible, describe estimated savings resulting from implementing project results. Describe how equipment purchased under the grant was utilized in accomplishing the objectives.
- (h) Implementation Schedule - Outline the actual and/or planned schedule for implementation of the project results, recommendations or countermeasures. Include the amounts budgeted for immediate implementation or the estimated fiscal requirements for future plans.
- (i) Documentation - Include as a part of the Final Report, input and output documents developed. Examples are: new or revised forms, diagrams, management reports, photos, coding manuals, instructional manuals, etc. Other agencies may be able to adapt this material for their benefit. If applicable a Quarterly Evaluation Data Form, Schedule C (OTS-38g), must be submitted for the entire life of the project.

7.5.4 Executive Summary Format

The Executive Summary is a maximum two-page project summary that is not attached to the actual Final Report.

- (a) This document includes 1) Problem Identification; 2) Goals and Objectives; 3) Strategies and Activities; 4) Major Goal and Objective Results; and 5) Funding, Contact Person, Address and Phone Number. Contact your Program Coordinator for a sample Executive Summary.

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- (b) Noteworthy Executive Summaries will be submitted to NHTSA for publication in the “Traffic Safety Digest” and will be eligible to receive a recognition award at the Annual OTS Summit.